



RANCHO CABRILLO WATER COMPANY
9532 E. RIGGS ROAD
SUN LAKES, ARIZONA 85248



June 26, 2000

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Application for a new water Certificate of Convenience and Necessity

Dear Docket Control:

Attached is an application by *Rancho Cabrillo Water Company* for a new water Certificate of Convenience and Necessity ("CC&N"). *Rancho Cabrillo Water Company* was formed to provide water service to a 2,000 unit community that will be developed in the area that is located approximately 10 miles west of the I-17 freeway near Happy Valley Road, which is more particularly described in Exhibit D. A water CC&N is required at this time to assist in establishing a service area for *Rancho Cabrillo Water Company* to enable the Company to serve the planned community. The first demand for water service will occur in the winter of 2000. Given the demand for water, it serves the public interest for the Commission to grant a water CC&N to *Rancho Cabrillo Water Company*.

Notice of this application was give to all property owners, a copy of which is attached as Exhibit J. An affidavit is verifying that the notice of this application was sent to the property owners is attached as Exhibit K.

Sincerely,

Steve Robson

Attachment

SR:ab

Ranchocabrillo3.doc

Rancho Cabrillo Water Company
Application for Water Certificate of Convenience and Necessity
Direct Testimony of Steve Robson

1.Q. Please state you name, position and business address.

A. My name is Steve Robson and I am the President of Rancho Cabrillo Water Company. My business address is 9532 East Riggs Road, Sun Lakes, Arizona 85248.

2.Q. Please describe the application made by Rancho Cabrillo Water Company.

A. Rancho Cabrillo Water Company, "RCWC" or the "Company", is a new company that was formed to provide water service to the community of Rancho Cabrillo, a development located in Maricopa County, Arizona, approximately 10 miles west of the I-17 freeway near Happy Valley Road. There is presently no water service or customers in the proposed Rancho Cabrillo subdivision.

3.Q. What initial rates is the Company requesting?

A. The Company is requesting a minimum monthly water charge of \$15.27 for each residential and commercial customer with a 5/8" by 3/4" meter, and that 0 gallons be included in the minimum monthly charge. In addition to the minimum monthly charge, a commodity rate of \$2.91 for each 1,000 gallons of water used is also requested. The Company is also requesting approval of the monthly minimum charges for the larger meter sizes indicated in Exhibit G to the application, an establishment fee of \$30.00, and the other various service charges that are detailed on Exhibit G to the application. All of the customers will be residential and light commercial.

4.Q. How is the monthly minimum charge of \$15.27 for the 5/8" x 3/4" meters and the commodity rate of \$2.91 per 1,000 gallons derived?

A. The Company projected its plant in service requirements and costs, and developed a five-year projection of operating costs, including an initial depreciation rate of 3.00%. In addition, at the fifth year of projected operations, a 10% return on the projected rate base is calculated which is added to the projected operating costs in order to determine the overall revenue requirement. The establishment fee is deducted from the overall revenue requirement, and the remaining portion of the revenue requirement is recovered in the minimum monthly charge and the

commodity rate. The minimum monthly charge is set at an amount that recovers the fixed costs from the 1,250 customers projected at the end of the fifth year. The fixed costs include the wages for the certified operator, licenses, property taxes, permits, depreciation and administrative services. The commodity rate recovers the remaining portion of the revenue requirement over the number of gallons estimated to be consumed by each customer, which is 12,000 gallons per month.

5.Q. Please explain how the Company calculated the property tax expense in its proforma operating expenses?

A. The Company obtained an estimate of the full cash value of the projected plant in service from the Arizona Department of Revenue, Property Tax Division, Centrally Valued Property Unit (DOR) based on the five-year projection of revenues and plant costs included in this application. A copy of the full cash value estimates for years 1 through 5 from the DOR is provided as Exhibit H. According to the DOR, a 25% assessment ratio is to be applied to the full cash value. The Company then applied the 12.45% tax rate for 1999 for property located in Maricopa County per DOR to derive the amount of the property tax. A recalculation of the property taxes in year 5 is as follows:

| | |
|-------------------|-------------|
| Full Cash value | \$1,580,100 |
| Assessment Ration | 25.00% |
| Subtotal | \$395,025 |
| Tax Rate | 12.45% |
| Property Tax | \$49,181 |

6.Q. Does this conclude your direct testimony?

A. Yes.

ARIZONA CORPORATION COMMISSION

APPLICATION FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY

WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant (Company) is:

Rancho Cabrillo Water Company

9532 East Riggs Road Sun Lakes, AZ 85248

480-895-9200

B. If doing business (d.b.a.) under a name other than the Applicant (Company) name listed above, specify:

Same

C. List the name, address and telephone number of the management contact:

Steve Robson

9532 East Riggs Road Sun Lakes, AZ 85248

480-895-9200

D. List the name, address and telephone number of the attorney for the Applicant:

Mike Tiffany-c/o Tiffany & Bosco PA

1850 North Central Avenue, Suite 500 Phoenix, AZ 85004

602-255-6000

E. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality:

Dave Voorhees

24607 S. Price Road Sun Lakes, AZ 85248

480-895-5009

F. List the name, address and telephone number of the on-site manager of the utility:

Steve Robson

9532 East Riggs Road Sun Lakes, AZ 85248

480-895-9200

G. The Applicant is a:

| | |
|---|--|
| <input type="checkbox"/> Corporation: <input type="checkbox"/> "C", <input checked="" type="checkbox"/> "S", <input type="checkbox"/> Non-Profit <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign | <input type="checkbox"/> Partnership <input type="checkbox"/> Limited, <input type="checkbox"/> General <input type="checkbox"/> Arizona, <input type="checkbox"/> Foreign |
| <input type="checkbox"/> Sole Proprietorship | <input type="checkbox"/> Limited Liability Company (LLC) |
| <input type="checkbox"/> Other (Specify) | |

H. If Applicant is a corporation:

1. List names of Officers and Directors:

Officers

Steve Robson - President

& Secretary

Jesse Flores - Vice President,

Treasurer &
Secretary

Directors

Steve Robson

2. Attach a copy of the corporation's "Certificate of Good Standing" issued by the Corporation's Division of the Arizona Corporation Commission. See Exhibit A

3. Attach a copy of the Articles of Incorporation. See Exhibit B

4. Attach a copy of the corporation's By-Laws. See Exhibit C

5. If a for-profit corporation, indicate the number of shares of stock authorized for issue:

6. If stock has been issued, indicate the number of shares issued and date of issue:

None

H. If the Applicant is a partnership: N/A

1. List the names of the general partners:

2. List the name, address and telephone number of the managing partners: N/A

3. Attach a copy of the Partnership's Articles of Partnership. N/A

- If the Applicant is a foreign limited partnership, provide a copy of the Partnership's "Certificate of Registration" filed with the Arizona Secretary of State.

J. If the Applicant is a sole proprietor, list the name, address and telephone number of the proprietor:

N/A

K. If the Applicant is a Limited Liability Company:

1. List the names of managers:

N/A

- L. List the names and addresses of any other public utility interest, which the applicant may have: None. However, Steve Robson has an ownership interest in the following public utilities in Arizona: Pima Utility Co., Lago Del Oro Water Co., SaddleBrooke Utility Co., Quail Creek Water Co., Picacho Water Co., and Picacho Sewer Company.
- M. Attach a description of the area requested using CADASTRAL (quarter section description) or Metes and Bounds survey. References to parcels and dockets will not be accepted. See Exhibit D
- N. Attach a detailed map using the form provided as Attachment "B". Shade and outline the area requested. Also, indicate any other utility within the general area using different colors. See Exhibit E
- O. Attach financial information in a format similar to Attachment "C". See Exhibit F
- P. Explain the method of financing utility facilities. Refer to the instructions, item no. 7. (Use additional sheets if necessary):

Not yet determined. However, Applicant will obtain authority from the Commission prior to issuing any form of financing.

- Q. Estimated starting and completion dates of construction of utility facilities:

Starting date 2000 Completion 2007

- R. Attach proposed Tariffs using either the water or sewer format of Attachment "D", unless the Utilities Division, prior to the filing of this application, approves another form. See Exhibit G

- S. Attach the following permits:

1. The franchise from either the City or County for the area requested.
Applied for. Will be a late filed exhibit to this application.
2. The Arizona Department of Environmental Quality (or its designee's) approval to construct facilities.
None issued yet.
3. The Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)
N/A
4. Any U.S. Forest Service approval. (If you are including any U.S. Forest Service land in your requested area this approval is needed.)
N/A
5. (WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of Assured Water Supply issued by the Arizona Department of Water Resources, whichever applies. Developer is preparing an application for a Certificate of Assured Water Supply.
 - If the area requested is outside an Active Management Area, attach the developer's

Adequacy Statement issued by the Arizona Department of Water Resources, if applied for by the developer. N/A

- If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detail to prove that adequate water exists to provide water to the area requested. N/A

6. Provide a copy of your estimated property taxes. This may be obtained by contacting the Arizona Department of Revenue, Division of Property Valuation and Equalization. You must provide them with a five (5) year projection of the original cost of the plant, depreciation expense, the location of the property and the school district. See Exhibit H

T. Provide the following information:

1. Indicate the estimated number of customers, by class, to be served in each of the first five years of operation:

Residential:

First Year 250 Second Year 500 Third Year 750 Fourth Year 1000

Fifth Year 1250

Commercial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0

Fifth Year 0

2. Indicate the projected annual water consumption or sewerage treatment, in gallons, for each of the customer classes for each of the first five years of operation:

Residential:

First Year 36,000,000 Second Year 72,000,000 Third Year 108,000,000 Fourth Year 144,000,000
Fifth Year 180,000,000

Commercial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0
Fifth Year 0

Industrial:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0
Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0 Fourth Year 0
Fifth Year 0

3. Indicate the total estimated annual operating revenue for each of the first five years of operation:

Residential:

First Year 157,901 Second Year 308,302 Third Year 458,703
Fourth Year 609,104 Fifth Year 759,506

Commercial:

First Year 0 Second Year 0 Third Year 0
Fourth Year 0 Fifth Year 0

Industrial:

First Year 0 Second Year 0 Third Year 0

Fourth Year 0 Fifth Year 0

Irrigation:

First Year 0 Second Year 0 Third Year 0

Fourth Year 0 Fifth Year 0

4. Indicate the total estimated annual operating expenses for each of the first five years of operation:

Residential:

First Year 228,270 Second Year 263,851 Third Year 301,279

Fourth Year 345,012 Fifth Year 393,256

Commercial:

First Year 0 Second Year 0 Third Year 0

Fourth Year 0 Fifth Year 0

Industrial:

First Year 0 Second Year 0 Third Year 0

Fourth Year 0 Fifth Year 0

Irrigation:

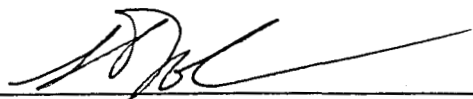
First Year 0 Second Year 0 Third Year 0

Fourth Year 0 Fifth Year 0

5. Attach an itemized list of the major components of the water or sewer system (see Attachment C-3). See Exhibit I

6. Indicate the total estimated cost to construct utility facilities:

\$3,812,500



(Signature of Authorized Representative)

Steve Robson

(Type or Print Name Here)

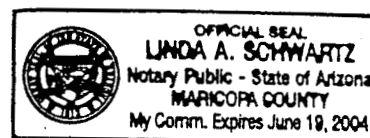
President

(Title)

SUBSCRIBED AND SWORN to before me this 36 day of June 2000


NOTARY PUBLIC

My Commission Expires June 19, 2004



STATE OF ARIZONA



Office of the CORPORATION COMMISSION

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING:

I, BRIAN C. MCNEIL, EXECUTIVE SECRETARY OF THE ARIZONA CORPORATION COMMISSION, DO HEREBY CERTIFY THAT

****RANCHO CABRILLO WATER COMPANY****

A DOMESTIC CORPORATION ORGANIZED UNDER THE LAWS OF THE STATE OF ARIZONA, DID INCORPORATE ON MAY 24, 2000.

I FURTHER CERTIFY THAT THIS CORPORATION HAS FILED ALL AFFIDAVITS AND ANNUAL REPORTS AND PAID ALL FILING GEES REQUIRED TO DATE AND, THEREFORE, IS IN GOOD STANDING IN THIS STATE.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, Capital, this

6TH Day of JUNE,

2000, A.D.



Brian C. McNeil

EXECUTIVE SECRETARY

BY *Alma Castillo*

Phoenix Address: 1300 West Washington
Phoenix, Arizona 85007-2929

CORPORATIONS DIVISION

Tucson Address: 400 West Congress
Tucson, Arizona 85701-1347

Exhibit B
CERTIFICATE OF DISCLOSURE
A.R.S. §10-202.D

CHECK APPROPRIATE BOX (A OR B)
ANSWER "C"

Rancho Cabrillo Water Company
EXACT CORPORATE NAME

THE UNDERSIGNED CERTIFY THAT:

☒ No persons serving either by elections or appointment as officers, directors, trustees, incorporators and persons controlling or holding over 10% of the issued and outstanding common shares or 10% of any other proprietary, beneficial or membership interest in the corporation:

1. Have been convicted of a felony involving a transaction in securities, consumer fraud or antitrust in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
2. Have been convicted of a felony, the essential elements of which consisted of fraud, misrepresentation, theft by false pretenses, or restraint of trade or monopoly in any state or federal jurisdiction within the seven-year period immediately preceding the execution of this Certificate.
3. Have been or are subject to an injunction, judgment, decree or permanent order of any state or federal court entered within the seven-year period immediately preceding the execution of this Certificate wherein such injunction, judgment, decree or permanent order:
 - (a) Involved the violation of fraud or registration provisions of the securities laws of that jurisdiction; or
 - (b) Involved the violation of the consumer fraud laws of that jurisdiction; or
 - (c) Involved the violation of the antitrust or restraint of trade laws of that jurisdiction.

3. For any person or persons who have been or are subject to one or more of the statements in Items A.1 through A.3 above, the following information MUST be attached:

1. Full name, prior name(s) and aliases, if used.
2. Full birth name.
3. Present home address.
4. Prior addresses (for immediate preceding 7-year period).
5. Date and location of birth.

6. Social Security number.
7. The nature and description of each conviction or judicial action, date and location, the court and public agency involved and file or cause number of case.

Has any person serving as an officer, director, trustee or incorporator of the corporation served in any such capacity or held or controlled over 20% of the issued and outstanding common shares, or 20% of any other proprietary, beneficial or membership interest in any corporation which has been placed in bankruptcy, receivership or had its charter revoked, or administratively or judicially dissolved by any state or jurisdiction?

Yes _____ No X

IF YOUR ANSWER TO THE ABOVE QUESTION IS "YES", YOU MUST ATTACH THE FOLLOWING INFORMATION FOR EACH CORPORATION:

1. Name and address of the corporation.
2. Full name (including aliases) and address of each person involved.
3. State(s) in which the corporation:
 - (a) Was incorporated.
 - (b) Has transacted business.
4. Dates of corporate operation.

The fiscal year end adopted by the corporation is 12/31

Under penalties of law, the undersigned incorporator(s)/officer(s) declare(s) that I(we) have examined this Certificate, including any attachments, and to the best of my(our) knowledge and belief it is true, correct and complete. THE SIGNATURE(S) MUST BE DATED WITHIN THIRTY (30) DAYS OF THE DELIVERY DATE.

Y [Signature] BY Jesse Flores

PRINT NAME Steven S. Robson PRINT NAME Jesse Flores

TITLE Incorporator DATE 5-22-00 TITLE Incorporator DATE 5-22

DOMESTIC CORPORATIONS: ALL INCORPORATORS MUST SIGN THE INITIAL CERTIFICATE OF DISCLOSURE. If within sixty days, an person becomes an officer, director, trustee or person controlling or holding over 10% of the issued and outstanding shares or 10% of any other proprietary beneficial, or membership interest in the corporation and the person was not included in this disclosure, the corporation must file an AMENDED certificate signed by at least one duly authorized officer of the corporation.

FOREIGN CORPORATIONS: MUST BE SIGNED BY AT LEAST ONE DULY AUTHORIZED OFFICER OF THE CORPORATION.

EXPEDITED
AZ CORP COMMISSION
FILED

MAY 24 8 19 AM '00

APPR *Rangata Wif*
DATE *05 12 4 100*
TERM _____
DATE _____

0951124-6 ARTICLES OF INCORPORATION

OF

RANCHO CABRILLO WATER COMPANY

We, the undersigned incorporators, having associated ourselves together for the purpose of forming a corporation under the laws of the State of Arizona, adopt the following Articles of Incorporation:

I.

NAME

The name of the corporation is Rancho Cabrillo Water Company. *OK*

II.

AUTHORIZED SHARES

The corporation shall have authority to issue One Million (1,000,000) shares of stock. Shares shall be paid for at such time, and in such manner, as the Board of Directors shall determine.

III.

INITIAL BUSINESS

The corporation initially intends to actually conduct in the State of Arizona the business of constructing, owning, operating and maintaining a water utility company and engaging any and all activities related thereto.

IV.

INITIAL BOARD OF DIRECTORS

The initial Board of Directors shall consist of one (1) member who shall serve as director until his successor(s) are elected and qualified, and whose name and address is:

Steven S. Robson
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

V.

STATUTORY AGENT

Michael E. Tiffany, of Tiffany & Bosco, PA, whose address is 1850 North Central Avenue, Suite 500, Phoenix, Arizona 85004, is hereby appointed the initial Statutory Agent for the corporation for the State of Arizona.

VI.

KNOWN PLACE OF BUSINESS

The corporation's known place of business is 9532 East Riggs Road, Sun Lakes, Arizona 85248-7411.

VII.

INCORPORATORS

The names and addresses of the incorporators are:

Steven S. Robson
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

Jesse Flores
9532 East Riggs Road
Sun Lakes, Arizona 85248-7411

All powers, duties and responsibilities of the incorporators shall cease at the time of delivery of these Articles of Incorporation to the Arizona Corporation Commission for filing.

VIII.

LIMITATION OF DIRECTOR LIABILITY

To the fullest extent permitted by the Arizona Revised Statutes as the same exist or may be hereafter amended, no director of the corporation shall be liable to the corporation or its shareholders for monetary damages for any action taken or any failure to take any action as a director. No repeal, amendment or modification of this article, whether direct or indirect, shall eliminate or reduce its effect with respect to any act or failure to act of a director of the corporation occurring prior to such repeal, amendment or modification.

IX.

INDEMNIFICATION

The corporation shall indemnify to the fullest extent permitted by law any person who incurs expenses or liabilities by reason of the fact he or she is or was an officer, director, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other entity. The foregoing indemnification shall be mandatory in all circumstances in which indemnification is permitted by law.

IN WITNESS WHEREOF, the undersigned incorporators have hereunto affixed their signatures this 29 day of March, 2000.

INCORPORATORS:



Steven S. Robson



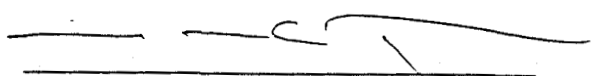
Jesse Flores

STATE OF ARIZONA
ACCEPTANCE OF APPOINTMENT AS STATUTORY AGENT
of
RANCHO CABRILLO WATER COMPANY,
an Arizona corporation

To: Arizona Corporation Commission
Incorporating Division
1300 West Washington
Phoenix, Arizona 85007

Please be advised that Michael E. Tiffany, Esq., hereby accepts and acknowledges appointment as statutory agent for service of process upon Rancho Cabrillo Water Company, an Arizona corporation, and consents to act in that capacity until his removal or resignation.

DATED this 23rd day of May, 2000.



MICHAEL E. TIFFANY

STATE OF ARIZONA
ACCEPTANCE OF APPOINTMENT AS STATUTORY AGENT
of
RANCHO CABRILLO WATER COMPANY,
an Arizona corporation

To: Arizona Corporation Commission
Incorporating Division
1300 West Washington
Phoenix, Arizona 85007

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DATED this 23rd day of May, 2000.

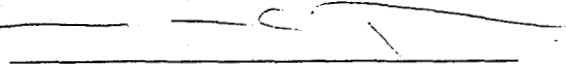

MICHAEL E. TIFFANY

Exhibit C
BYLAWS
OF
RANCHO CABRILLO WATER COMPANY

ARTICLE I
Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II
Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III
Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held during the month of January of each year, commencing with the year 1997, at a date, time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth

above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting, whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of

the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of

communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than nine (9) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session, subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of

shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V

Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI

Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares in

such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII

Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case may be.

ARTICLE VIII

Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX

Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X

Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI

Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE IX

Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the

corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE IX

General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

CONSENT IN LIEU OF ORGANIZATIONAL
MEETING OF BOARD OF DIRECTORS
OF
RANCHO CABRILLO WATER COMPANY

Pursuant to A.R.S. § 10-821, the undersigned, being all of the directors of Rancho Cabrillo Water Company, an Arizona corporation (the "Corporation"), hereby consent to the adoption of the following resolutions in lieu of holding an organizational meeting:

ELECTION OF OFFICERS

RESOLVED, that the following individuals be, and they hereby are, elected to serve as officers of the Corporation, at the pleasure of the Board of Directors, until the first annual meeting of the Board of Directors or until their successors are duly appointed:

| | | |
|------------------|---|---|
| Steven S. Robson | - | President and Secretary |
| Jesse Flores | - | Vice President, Treasurer and Assistant Secretary |

BYLAWS

RESOLVED, that the Bylaws attached hereto as Exhibit "A" be, and they hereby are, adopted as the Bylaws of the Corporation; and

FURTHER RESOLVED, that the Secretary be, and he hereby is, authorized to execute the Certificate of Adoption set forth at the end of the Bylaws and is hereby directed to file a copy thereof in the minute book of the Corporation.

CORPORATE SEAL

RESOLVED, that the form of corporate seal impressed on the margin hereof be, and it hereby is, adopted as the seal of the Corporation.

CERTIFICATE OF SHARES

RESOLVED, that the form of certificate attached hereto as Exhibit "B" be, and it hereby is, approved and adopted to represent the Corporation's authorized shares of

common stock, and the Secretary is hereby authorized to insert a specimen of such in the minute book of the Corporation.

BANK ACCOUNTS

RESOLVED, that the Treasurer be, and he hereby is, authorized and directed to open a general checking account for and in the name of the Corporation with a bank to be determined by the President in his discretion and to deposit therein funds of the Corporation to be withdrawn only by checks signed in the name of the Corporation by the signatures of the proper officers or agents to be determined by the President until further notice in writing to said bank; and

FURTHER RESOLVED, that each of the officers of the Corporation be, and each such officer hereby is, authorized to execute for and on behalf of the Corporation resolutions by this Board in the customary form required by said bank concerning the terms and conditions of the accounts and stating the authority granted by the foregoing resolution.

FISCAL YEAR

RESOLVED, that the fiscal year of the Corporation be, and it hereby is, established as December 31.

ISSUANCE OF SHARES

RESOLVED, that the Corporation shall accept offers to subscribe for its authorized no par value common shares, and shall issue such shares upon receipt of consideration therefor acceptable to the Directors, at such time as the Corporation obtains the approval of the Arizona Corporation Commission to issue the shares.

AMORTIZATION OF ORGANIZATIONAL EXPENSES

RESOLVED, that the Corporation treat all of its organizational expenditures, as defined in Section 248 of the Internal Revenue Code of 1986, as amended from time to time, as deferred expenses to be amortized ratably over sixty (60) months beginning with the month in which the Corporation begins business; and

FURTHER RESOLVED, that the officers of the Corporation be, and they hereby are, authorized and directed to indicate the aforesaid election by a statement to be attached to the Corporation's tax return for the taxable year in which it begins business.

SUBCHAPTER S ELECTION

RESOLVED, that the Corporation qualify as a small business corporation under Subchapter S of the Internal Revenue Code of 1986, as amended from time to time; and


FURTHER RESOLVED, that the President be, and he hereby is, authorized and directed to execute and file with the Internal Revenue Service and any other appropriate authorities Internal Revenue Service Form 2553, and any other documents as may be necessary or appropriate regarding an election by a small business corporation under Subchapter S of the Internal Revenue Code, for and on behalf of the Corporation.

RATIFICATION

RESOLVED, that the acts of the incorporators, officers, and directors of the Corporation be, and they hereby are, ratified, approved, and confirmed in all respects.

DATED: March _____, 2000.

DIRECTORS:


Steven S. Robson

BYLAWS
OF
RANCHO CABRILLO WATER COMPANY

ARTICLE I
Articles of Incorporation

Section 1.01. Reference to Articles. Any reference herein made to the corporation's articles shall be deemed to refer to its articles of incorporation and all amendments thereto as of any given time on file with the Arizona Corporation Commission (or any successor to its functions).

Section 1.02. Seniority. The articles shall in all respects be considered senior and superior to these bylaws, with any inconsistency to be resolved in favor of the articles, and with these bylaws to be deemed automatically amended from time to time to eliminate any such inconsistency which may then exist.

ARTICLE II
Corporation Offices

Section 2.01. Known Place of Business. The known place of business of the corporation in the State of Arizona shall be the office of its statutory agent unless otherwise designated in the articles or as provided in Section 2.02 hereof. The corporation may have such other offices, either within or outside of the State of Arizona, as the board of directors may designate or as the business of the corporation may require from time to time.

Section 2.02. Changes. The board of directors may change the corporation's known place of business or its statutory agent from time to time by filing a statement with the Arizona Corporation Commission pursuant to applicable law.

ARTICLE III
Shareholders

Section 3.01. Annual Meetings. An annual meeting of the shareholders shall be held during the month of January of each year, commencing with the year 1997, at a date, time and place as determined by the board of directors, or in the absence of action by the board, as set forth in the notice given, or waiver signed, with respect to such meeting pursuant to Section 3.03 below. At the annual meeting, shareholders shall elect a board of directors and transact such other business as may be properly brought before the meeting. If for any reason any annual meeting is not held during the period set forth above, a deferred annual meeting may thereafter be called and held in lieu thereof, at which the same proceedings (including the election of directors) may be conducted. The failure to hold an annual meeting during the period set forth

above shall not affect the validity of any corporate action. Any director elected at any annual meeting, deferred annual meeting or special meeting shall continue in office until the election of his successor, subject to his earlier resignation pursuant to Section 7.01 below or his removal by the shareholders pursuant to Section 4.10 below.

Section 3.02. Special Meetings. Special meetings of the shareholders may be held whenever and wherever called for by the chairman of the board, the president or the board of directors, the written demand of the holders of not less than ten percent (10%) of all issued and outstanding shares of each voting group of the corporation entitled to vote at any such meeting, or as otherwise required by state law. Any written demand by shareholders shall state the purpose or purposes of the proposed meeting, and business to be transacted at any such meeting shall be confined to the purposes stated in the notice thereof, and to such additional matters as the chairman of the meeting may rule to be germane to such purposes.

Section 3.03. Notices. Not less than ten (10) nor more than sixty (60) days before the date of any meeting of the shareholders and at the direction of the person or persons calling the meeting, the secretary of the corporation, or any other officer of the corporation or other person directed by the board of directors, shall cause a written notice setting forth the date, time and place, and, with respect to special meetings only, a description of the purpose or purposes for which the meeting is called, to be delivered to each shareholder of record at his last address as it appears on the corporation's records on the applicable record date; provided that notice may be communicated orally if it is reasonable to do so under the circumstances. Notice may be communicated in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier, and shall be deemed given and effective as provided by law.

Section 3.04. Waiver of Notice. Any shareholder may waive call or notice of any annual, deferred annual or special meeting (and any adjournment thereof) at any time before, during which, or after it is held. Attendance of a shareholder at any such meeting in person or by proxy shall: (i) waive objection to lack of notice or defective notice of the meeting, unless the shareholder at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (ii) waive objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice; unless the shareholder objects to considering the matter when it is presented. No call or notice of a meeting of the shareholders shall be necessary if each shareholder waives the same in writing or by attendance.

Section 3.05. Shareholders of Record. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders (and at any adjournment of such meeting), or shareholders entitled to consent to corporate action without a meeting or shareholders entitled to receive payment of any dividend, or for any other lawful action, the board of directors may fix in advance a record date which shall not be more than seventy (70) days before the date of such meeting or any such other action.

If no record date is fixed by the board of directors for determining shareholders entitled to notice of, and to vote at, a meeting of shareholders, the record date shall be at 4:00 in the afternoon on the day before the day on which notice is given, or, if notice is waived, at the commencement of the meeting. If no record date is fixed for determining shareholders entitled to express written consent to corporate action without a meeting, the record date shall be the time of the day on which the first written consent is served upon an officer or director of the corporation.

A determination of shareholders of record entitled to notice of, and to vote at, a meeting of shareholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting; and provided further that the board of directors shall fix a new record date for any meeting adjourned to a date more than one hundred twenty (120) days after the date fixed for the original meeting.

Section 3.06. Shareholder List for Meeting. After fixing a record date for a meeting, the corporation shall prepare an alphabetical list of the names of all of its shareholders who are entitled to notice of the meeting. The list shall be arranged by voting group, and within each voting group by class or series of shares, and shall show the address of and number of shares held by each shareholder. The shareholders' list shall be available for inspection by any shareholder, beginning two (2) business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the corporation's principal office, the office of the corporation's transfer agent if specified in the meeting notice or at another place identified in the meeting notice in the city where the meeting will be held. A shareholder, his agent or his attorney, on written demand, may inspect and, subject to Arizona law, copy the list during regular business hours and at his expense during the period it is available for inspection. The corporation shall make the shareholders' list available at the meeting, and any shareholder, his agent or his attorney may inspect the list at any time during the meeting or any adjournment thereof. The corporation's refusal or failure to prepare or make available the shareholders' list does not affect the validity of action taken at the meeting.

Section 3.07. Proxies. Any shareholder entitled to vote may vote by proxy at any meeting of the shareholders (and at any adjournment thereof) which is specified in such proxy, provided that the proxy is executed in writing by such shareholder or his duly authorized attorney-in-fact. An appointment of a proxy is effective when received by the secretary or other officer or agent authorized to tabulate votes. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise specifically provided thereon. The burden of proving the validity of any undated, irrevocable or otherwise contested proxy at a meeting of the shareholders shall rest with the person seeking to exercise the proxy. A telegram, cablegram or facsimile appearing to have been transmitted by a shareholder or by his duly authorized attorney-in-fact may be accepted as a sufficiently written and executed proxy.

Section 3.08. Voting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles, these bylaws or by statute, each issued and outstanding share of the corporation (specifically excluding shares held in the treasury of the corporation) represented at any meeting of the shareholders in person or by a proxy given pursuant to Section 3.07 above, shall be entitled to one vote on each matter submitted to a vote of the shareholders at such meeting. Except for the election of directors (which shall be governed by cumulative voting pursuant to applicable law) and except as may otherwise be required by the corporation's articles or by applicable law, any question submitted to the shareholders shall be resolved by a majority of the votes cast thereon, provided that such votes constitute a majority of the quorum of that particular meeting, whether or not such quorum is then present. Except as otherwise provided in the corporation's articles, directors shall be elected by a plurality of the votes cast at an election, provided that a quorum has been formed at the meeting, whether or not a quorum is then present. Voting shall be by ballot on any question as to which a ballot vote is demanded before the voting begins, by any person entitled to vote on such question; otherwise, a voice vote shall suffice. No ballot or change of vote shall be accepted after the polls have been declared closed following the ending of the announced time for voting.

Section 3.09. Voting of Shares by Certain Holders. Shares of the corporation held by another corporation may be voted by such corporation's officer, agent or proxy as its bylaws may prescribe, or in the absence of such bylaw provision, by any other person designated by resolution of its board of directors, and such officer, agent or other person so designated may vote such corporation's shares in this corporation in person or by proxy appointed by him.

Shares held by an administrator, executor, legal representative, guardian, conservator or other legal representative may be voted by such representative, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee, other than a trustee in bankruptcy, may be voted by such representative, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver, trustee in bankruptcy or assignee for the benefit of creditors may be voted by such representative, either in person or by proxy. Shares held by or under the control of such a receiver or trustee may be voted by such receiver or trustee, either in person or by proxy, without the transfer thereof into his name if authority so to do is contained in an appropriate order of the court by which such receiver or trustee was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

If shares stand in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety or tenants by community property or otherwise, or if two or more persons have the same fiduciary relationship respecting the same shares, unless the corporation is given a written instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, his act binds; (ii) if more than one votes, the act of the majority so voting binds all; and (iii) if more than one votes, but the vote is evenly split on any particular matter, each faction may vote the shares in question proportionally.

Section 3.10. Quorum. At any meeting of the shareholders, the presence in person or by proxy of the holders of a majority of the shares of the corporation issued, outstanding and entitled to vote at the meeting shall constitute a quorum of the shareholders for all purposes. In the absence of a quorum, any meeting may be adjourned from time to time by its chairman, without notice other than by announcement at the meeting, until a quorum is formed. At any such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. Once a quorum has been formed at any meeting, the shareholders from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure of enough shareholders to leave less than a quorum. If an adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting.

Section 3.11. Election Inspectors. The board of directors, in advance of any meeting of the shareholders, may appoint an election inspector or inspectors to act at such meeting (and at any adjournment thereof). If an election inspector or inspectors are not so appointed, the chairman of the meeting may, or upon request of any person entitled to vote at the meeting shall, make such appointment. If any person appointed as an inspector fails to appear or to act, a substitute may be appointed by the chairman of the meeting. If appointed, the election inspector or inspectors (acting through a majority of them if there are more than one) shall determine the number of shares outstanding, the authenticity, validity and effect of proxies and the number of shares represented at the meeting in person and by proxy; the election inspector(s) shall receive and count votes, ballots and consents and announce the results thereof; the election inspector(s) shall hear and determine all challenges and questions pertaining to proxies and voting; and, in general, the election inspector(s) shall perform such acts as may be proper to conduct elections and voting with complete fairness to all shareholders. No such election inspector need be a shareholder of the corporation.

Section 3.12. Organization and Conduct of Meetings. Each meeting of the shareholders shall be called to order and thereafter chaired by the chairman of the board of directors if there is one; or, if not, or if the chairman of the board is absent or so requests, then by the president; or if both the chairman of the board and the president are unavailable, then by such other officer of

the corporation or such shareholder as may be appointed by the board of directors. The corporation's secretary shall act as secretary of each meeting of the shareholders; in his absence the chairman of the meeting may appoint any person (whether a shareholder or not) to act as secretary for the meeting. After calling a meeting to order, the chairman thereof may require the registration of all shareholders intending to vote in person and the filing of all proxies with the election inspector(s), if one or more have been appointed (or, if not, with the secretary of the meeting). After the announced time for such filing of proxies has ended, no further proxies or changes, substitutions or revocations of proxies shall be accepted. If directors are to be elected, a tabulation of the proxies so filed shall, if any person entitled to vote in such election so requests, be announced at the meeting (or adjournment thereof) before the closing of the election polls. Absent a showing of bad faith on his part, the chairman of a meeting shall, among other things, have absolute authority to fix the period of time allowed for the registration of shareholders and the filing of proxies, to determine the order of business to be conducted at such meeting and to establish reasonable rules for expediting the business of the meeting (including any informal, or question and answer portions thereof).

Section 3.13. Shareholder Approval or Ratification. The board of directors may submit any contract or act for approval or ratification of the shareholders, either at a duly constituted meeting of the shareholders or by unanimous written consent to corporate action without a meeting pursuant to Section 3.15 below. If any contract or act so submitted is approved or ratified by a majority of the votes cast thereon at such meeting or by such unanimous written consent, the same shall be valid and as binding upon the corporation and all of its shareholders as it would be if it were the act of the shareholders.

Section 3.14. Informalities and Irregularities. All informalities or irregularities in any call or notice of a meeting of the shareholders or in the areas of credentials, proxies, quorums, voting and similar matters shall be deemed waived if no objection is made at the meeting.

Section 3.15. Action by Shareholders Without a Meeting. Any action required or permitted to be taken at a meeting of the shareholders of the corporation may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by all of the shareholders entitled to vote with respect to the subject matter thereof. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the shareholders of the corporation at a duly convened meeting.

Section 3.16. Meetings by Alternative Communications. The board of directors may permit any or all of the shareholders to participate in any annual or special meeting of shareholders or conduct the meeting through use of any means of communication by which all of the shareholders participating may simultaneously hear each other during the meeting. If the board elects to permit participation by such means of communication, the notice of the meeting shall specify how a shareholder may participate in the meeting by such means of communication. The participation may be limited by the board of directors to specified locations or means of

communication. A shareholder participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE IV Board of Directors

Section 4.01. Membership. The board of directors shall be comprised of not less than one (1) nor more than nine (9) members who need not be shareholders of the corporation or residents of the State of Arizona. The directors shall be elected at each annual meeting of the shareholders. The board of directors shall have the power to increase or decrease its size within the aforesaid limits and to fill any vacancies that may occur in its membership in the interval between the annual meetings of the shareholders, whether resulting from an increase in the size of the board or otherwise. Each director elected by the shareholders or the board of directors shall hold office until his successor is duly elected and qualified; provided, however, that the shareholders entitled to vote for the election of directors at a shareholders' meeting may fill any vacancy in the board of directors, if not already filled, or substitute another person to fill the vacancy, in which case the term of office of the person elected by the board of directors shall forthwith terminate.

Section 4.02. General Powers. All corporate powers shall be exercised by or under the authority of and the business and affairs of the corporation shall be managed under the direction of the board of directors.

Section 4.03. Regular Meetings. A regular annual meeting of the board of directors shall be held as soon as practicable after the adjournment of each annual meeting of the shareholders, either at the place of the shareholders' meeting or at such other place as the directors elected at the shareholders' meeting may have been informed of at or before the time of their election. Additional regular meetings may be held at regular intervals on such dates and at such places and times as the board of directors may determine.

Section 4.04. Special Meetings. Special meetings of the board of directors may be held whenever and wherever called for by the chairman of the board, the president, or the number of directors that would be required to constitute a quorum.

Section 4.05. Notices. No notice need be given of regular meetings of the board of directors. Notice of the date, time and place of any special meeting shall be given to each director in person, by telephone, telegraph, teletype, facsimile or other form of wire or wireless communication or by mail or private carrier addressed to him at his latest address appearing on the corporation's records, and shall be given at least two days before the meeting. Notice must be in writing unless oral notice is reasonable under the circumstances. Any person who has given notice hereunder may make an affidavit that notice was given, which shall be conclusive that notice was so given.

Section 4.06. Waiver of Notice. Any director may waive call or notice of any meeting (and any adjournment thereof) at any time before, during which, or after it is held. A director's attendance or participation in a meeting waives any required notice to him of the meeting unless the director at the beginning of the meeting or promptly on his arrival objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting. No call or notice of a meeting of directors shall be necessary if each of them waives the same in writing or by attendance. Any meeting, once properly called and noticed (or as to which call and notice have been waived) and at which a quorum is formed, may be adjourned to another time and place by a majority of those in attendance.

Section 4.07. Quorum. A quorum for the transaction of business at any meeting or adjourned meeting of the board of directors shall consist of a majority of the directors then in office, except that when a vacancy or vacancies exist in the board, a majority of the directors then in office shall constitute a quorum. Once a quorum has been formed at any meeting, the directors from time to time remaining in attendance may continue to transact business properly brought before the meeting until adjournment, notwithstanding the prior departure from the meeting of enough directors to leave less than a quorum.

Section 4.08. Voting. Any matter submitted to a meeting of the board of directors shall be resolved by a majority of the votes cast thereon.

Section 4.09. Power to Act Notwithstanding Vacancy. Pending the filling of vacancies in the board of directors, a majority of a full board of directors may exercise the powers of the board of directors.

Section 4.10. Removal. Any director may be removed from the board of directors, with or without cause, subject only to limitations provided by law.

Section 4.11. Executive Committee. The board of directors, by resolution adopted by a majority of the full board, may name one or more of its members as an executive committee. An executive committee shall have and may exercise the powers of the board of directors in the management of the business and affairs of the corporation while the board is not in session, subject to such limitations as may be included in the board's resolution; provided, however, that an executive committee shall not have the authority of the board of directors in reference to the following matters: (i) the authorization of distributions; (ii) the approval or submission to shareholders of any action that requires shareholder approval under applicable law; (iii) the filling of vacancies on the board of directors or on any committee of the board of directors; (iv) the amendment of the articles of incorporation; (v) the adoption, amendment or repeal of the bylaws; (vi) approval of a plan of merger not requiring shareholder approval; (vii) authorization or approval of a reacquisition of shares, except according to a formula or method prescribed by the board of directors; (viii) authorization or approval of the issuance, sale or contract for sale of

shares or determination of the designation and relative rights, preferences and limitations of a class or series of shares, except that the board of directors may authorize the executive committee or an executive officer of the corporation to do so within limits specifically prescribed by the board of directors; and (ix) fixing the compensation of directors for serving on the board or on any committee of the board of directors. Any member of the executive committee may be removed, with or without cause, by the board of directors. If any vacancy occurs in the executive committee, it shall be filled by the board of directors. The board of directors, with or without cause, may dissolve any committee or remove any member thereof at any time.

Section 4.12. Other Committees. The board of directors, from time to time, by resolution adopted by a majority of the full board, may appoint other standing or temporary committees from its membership and vest such committees with such powers as the board may include in its resolution; provided, however, that such committees shall be restricted in their authority as specifically set forth with respect to the executive committee in Section 4.11 above.

Section 4.13. Tenure of Committee Members. Except in the case of resignation, disqualification, removal or the inability to serve for any reason, each member of any committee established under this Article IV shall hold office until the next regular annual meeting of the board of directors and until his successor is elected and qualified.

Section 4.14. Meetings of Committees. Regular meetings of committees established under this Article IV may be held without notice on such days and at such times and places as the committees may fix from time to time by resolution. Special meetings of a committee may be called by any member thereof upon notice to other members of the committee in the manner provided in Section 4.04 for special meetings of the board of directors.

Section 4.15. Quorum of Committee Members. A majority of the members of a committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of any committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 4.16. Presumption of Assent. A director of the corporation who is present at a meeting of the board of directors or of any committee at which action is taken on any matter shall be deemed to have assented to the action taken unless: (i) the director objects at the beginning of the meeting or promptly upon the director's arrival to holding it or transacting business at the meeting; (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting; or (iii) the director delivers written notice of his dissent or abstention to the presiding officer of the meeting before its adjournment or to the corporation before 5:00 p.m. on the next business day after the meeting. The right of dissent or abstention shall not be available to a director who voted in favor of the action.

Section 4.17. Compensation. By resolution of the board of directors, each director may be paid his expenses, if any, of attendance at each meeting of the board of directors or of any committee, and may be paid a fixed sum for attendance at each such meeting and/or a stated salary as a director or committee member. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefrom.

Section 4.18. Action by Directors Without a Meeting. Any action required or permitted to be taken at a meeting of the board of directors or of any committee thereof may be taken without a meeting if the action is taken by the all of the directors or committee members. The action shall be evidenced by one or more written consents describing the action taken and signed by all directors or committee members. Such consent may be executed in counterparts and shall have the same effect as a unanimous vote of the directors or committee members of the corporation at a duly convened meeting.

Section 4.19. Meetings by Alternative Communications. The board of directors may permit any or all of the directors to participate in any regular or special meeting by or conduct the meeting through use of any means of communication by which all of the directors participating may simultaneously hear each other during the meeting. A director participating in a meeting by this means is deemed to be present in person at the meeting.

ARTICLE V

Officers - General

Section 5.01. Elections and Appointments. The board of directors shall elect or appoint a president, a secretary and a treasurer, and may choose a chairman of the board, one or more vice presidents or such other officers as the board of directors shall determine. The regular election or appointment of officers shall take place at each annual meeting of the board of directors, but elections of officers may be held at any other meeting of the board. A person elected or appointed to any office shall continue to hold that office until the election or appointment of his successor, subject to action earlier taken pursuant to Section 5.04 or 7.01 below. The same individual may simultaneously hold more than one office in the corporation.

Section 5.02. Additional Appointments. In addition to the officers contemplated in Section 5.01 above, the board of directors may elect or appoint other corporate or divisional officers or agents with such authority to perform such duties as may be prescribed from time to time by the board of directors, by the president or, in the case of assistant officers (as, for example, one or more assistant secretaries), by the superior officer of any person so elected or appointed. Each of such persons (in the order designated by the board) shall be vested with all of the powers and charged with all of the duties of his superior officer in the event of such superior officer's absence or disability.

Section 5.03. Bonds and Other Requirements. The board of directors may require any officer to give bond to the corporation (with sufficient surety, and conditioned for the faithful performance of the duties of his office), to make reports to the board and to comply with such other conditions as may from time to time be required of him by the board.

Section 5.04. Removal; Delegation of Duties. The board of directors may remove an officer of the corporation at any time with or without cause or temporarily delegate his powers and duties to any other officer or to any director. Such removal or delegation shall be without prejudice to the contract rights, if any, of the person so removed or whose powers and duties have been delegated. Election or appointment of an officer or agent, even if for a specified term, shall not of itself create contract rights.

Section 5.05. Compensation. The compensation of officers may be fixed from time to time by the board of directors or (except as to the president's own) left to the discretion of the president. No officer shall be prevented from receiving compensation by reason of the fact that he also is a director of the corporation.

ARTICLE VI

Specific Officers

Section 6.01. Chairman of the Board. The board of directors may elect a chairman to serve as a general executive officer of the corporation, and, if specifically designated as such by the board, as the chief executive officer of the corporation. If elected, the chairman shall preside at all meetings of the board of directors and be vested with such other powers and duties as the board may from time to time delegate to him.

Section 6.02. President and Vice President. Unless otherwise specified by resolution of the board of directors, the president shall be the chief executive officer of the corporation. The president shall supervise the business and affairs of the corporation and the performance by all of its other officers of their respective duties, subject to the control of the board of directors (and of its chairman, if the chairman has been specifically designated as chief executive officer of the corporation). One or more vice presidents may be elected by the board of directors to perform such duties as may be designated by the board or be assigned or delegated to them by the chief executive officer. Any one of the vice presidents as authorized by the board shall be vested with all of the powers and charged with all of the duties of the president in the event of his absence or inability to act. Except as may otherwise be specifically provided in a resolution of the board of directors, the president or any vice president shall be a proper officer to sign, on behalf of the corporation, any deed, bill of sale, assignment, option, mortgage, pledge, note, bond, evidence of indebtedness, application, consent (to service of process or otherwise), agreement, indenture or other instrument of any significant importance to the corporation. The president or any vice president may represent the corporation at any meeting of the shareholders of any other corporation in which this corporation then holds shares, and may vote this corporation's shares in

such other corporation in person or by proxy appointed by him, provided that the board of directors may from time to time confer the foregoing authority upon any other person or persons.

Section 6.03. Secretary. The secretary shall keep the minutes of meetings of the shareholders, board of directors and any committee, and all unanimous written consents of the shareholders, board of directors and any committee of the corporation, and shall see that all notices are duly given in accordance with the provisions of these bylaws or as required by law, and in case of his absence or refusal or neglect to do so, notices may be served by any person so directed by the president. The secretary shall be custodian of the corporate seal and corporate records, shall have the authority to authenticate the corporate records and, in general, shall perform all duties incident to the office. Except as may otherwise be specifically provided in a resolution of the board of directors, the secretary and each assistant secretary shall be a proper officer to take charge of the corporation's stock transfer books and to compile the shareholder list pursuant to Section 3.06 above, and to impress the corporation's seal on any instrument signed by the president, any vice president or any other duly authorized person, and to attest to the same.

Section 6.04. Treasurer. The treasurer shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation, and shall cause all money and other valuable effects to be deposited in the name and to the credit of the corporation in such depositories, subject to withdrawal in such manner as may be designated by the board of directors. He shall render to the president, the directors and the shareholders at proper times an account of all his transactions as treasurer and of the financial condition of the corporation. The treasurer shall be responsible for preparing and filing such financial reports, financial statements and returns as may be required by law.

ARTICLE VII

Resignations and Vacancies

Section 7.01. Resignations. Any director, committee member or officer may resign from his office at any time by written notice delivered to the corporation. A resignation shall be effective when the notice is delivered unless the notice specifies a later effective date or event. The acceptance of a resignation shall not be required to make it effective.

Section 7.02. Vacancies. If the office of any director, committee member or officer becomes vacant by reason of his death, resignation, disqualification, removal or otherwise, the shareholders or the board of directors may choose a successor to hold office for the unexpired term as provided in Section 4.01 and Section 5.01, as the case may be.

ARTICLE VIII

Seal

The board of directors may provide for a seal of the corporation, which shall have inscribed thereon the name of the corporation and the state and year of its incorporation.

ARTICLE IX

Certificates Representing Shares

Section 9.01. Form. Shares of the corporation may but need not be represented by certificates. If certificates are issued, each certificate representing shares of the corporation shall be in such form as may from time to time be prescribed by the board of directors, shall be consecutively numbered, and shall exhibit such information as may be required by applicable law. If certificates are not issued, then every holder of uncertificated shares shall be entitled to receive a certificate that complies with applicable law on request to the corporation.

Section 9.02. Signatures and Seal. All certificates issued for shares of the corporation (whether new, re-issued, or transferred) shall bear the manual or facsimile signatures of one or more officers designated by the board of directors or, in the absence of board designation by the president, a vice president, or the secretary, and also may bear an impression or facsimile of the corporation's corporate seal, if any. If the person who signed either manually or in facsimile a share certificate no longer holds office when the certificate is issued, the certificate is nevertheless valid.

Section 9.03. Ownership. The corporation shall be entitled to treat the registered owner of any share as the absolute owner thereof and, accordingly, shall not be bound to recognize any beneficial, equitable or other claim to, or interest in, such share on the part of any other person, whether or not it has notice thereof, except as may be expressly provided by applicable law.

Section 9.04. Transfers. Transfers of shares of the corporation may be made on the stock transfer books of the corporation only at the direction of the person named in the certificate (or by his duly authorized attorney-in-fact) and upon the surrender of such certificate properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or authenticity of signature as the corporation (or its transfer agent) may require. The transfer of the shares of the corporation shall be subject to such restrictions on transfer, if any, as may be imposed by the articles of incorporation or bylaws of the corporation, or by any amendment thereof, by applicable law or by an agreement among the shareholders or between shareholders and the corporation. No transfer shall affect the right of the corporation to pay any dividend due upon the shares or to treat the holder of record as the holder-in-fact until the transfer has been recorded in the books of the corporation.

Section 9.05. Lost Certificates. In the event of the loss, theft or destruction of any certificates representing shares of the corporation or of any predecessor corporation, the corporation may issue (or, in the case of any such shares as to which a transfer agent and/or registrar have been appointed, may direct such transfer agent and/or registrar to countersign, register and issue) a new certificate, and cause the same to be delivered to the owner of the shares represented thereby, provided that the owner shall have submitted such evidence showing, or an affidavit reciting, the circumstances of the alleged loss, theft or destruction, and his ownership of the certificate, as the corporation considers satisfactory, together with any other facts that the corporation considers pertinent, and further provided that a bond of indemnity, with or without surety, shall have been provided in form and amount satisfactory to the corporation (and to its transfer agent and/or registrar, if applicable), unless the board of directors waives the requirement of a bond.

ARTICLE X

Dividends

Subject to such restrictions or requirements as may be imposed by applicable law or the corporation's articles or as may otherwise be binding upon the corporation, the board of directors may from time to time declare and the corporation may pay dividends on shares of the corporation outstanding on the dates of record fixed by the board, to be paid in cash, in property, or in shares of the corporation on or as of such payment or distribution dates as the board may prescribe.

ARTICLE XI

Amendments

These bylaws may be altered, amended, supplemented, repealed or temporarily or permanently suspended, in whole or in part, or new bylaws may be adopted, at any duly constituted meeting of the board of directors or the shareholders or, alternatively, by unanimous written consent to corporate action without a meeting of the board of directors or the shareholders, as the case may be, pursuant to these bylaws and applicable law. The shareholders in amending or repealing a particular bylaw may provide expressly that the board of directors may not amend or repeal that bylaw.

ARTICLE IX

Indemnification and Insurance

Section 12.01. Indemnification. To the fullest extent permitted by Arizona law as amended from time to time, the corporation shall indemnify and advance expenses to each person to whom indemnification and advancement of expenses may be offered under such law.

Section 12.02. Insurance. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the

corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against or incurred by such person in such capacity or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under the provisions of Arizona law.

ARTICLE IX

General Provisions

Section 13.01. Construction. As used in these bylaws, the masculine includes the feminine and the neuter as the context requires.

Section 13.02. Books and Records. The books and records of the corporation shall be kept at such places within or outside of Arizona as the board of directors may from time to time determine.

Exhibit D

The following property located in Section 3, Township 4 North, Range 1 West, Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The Southeast quarter;
The South half of the Northwest quarter;
The South half of the Northeast quarter; and

BEGINNING at the North quarter corner of said Section, :

THENCE along the North line of the Northeast quarter of said Section and the North line of said Lots 1 and 2, N89°45'52"E, 2,625.13 feet to the Northeast corner of said Section 3; said corner also being the Northeast corner of said Lot 1;

THENCE along the East line of the Northeast quarter of said Section 3 and the East line of said Lot 1, S0°43'25"E, 1,025.06 feet to the Southeast corner of said Lot 1;

THENCE along the South line of said Lots 1 and 2, S89°54'43"W, 2,625.93 feet to the Southwest corner of said Lot 2;

THENCE along the North-South midsection line of said Section 3 and the West line of said Lot 2 N0°40'56"W, 1,018.33 feet to the point of beginning, and

The following property located in Section 10, Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The North half of Section 10

Exhibit E

| | | | |
|----------|---------|----------|--------|
| Maricopa | 3 | 4 North | 1 West |
| COUNTY | SECTION | TOWNSHIP | RANGE |

[illegible]

Type or Print Description Here:

Exhibit F

PROFORMA BALANCE SHEET (WATER)ASSETSCurrent Assets

| | |
|----------------------|----------|
| Cash | \$ _____ |
| Accounts Receivable | _____ |
| Other | _____ |
| Total Current Assets | _____ |

Fixed Assets

| | |
|---------------------------------|---------------------|
| Utility Plant in Service | 3,812,500 |
| (Less) Accumulated Depreciation | (469,125) |
| Net Plant in Service | _____ |
| Other | _____ |
| TOTAL ASSETS | \$ <u>3,343,375</u> |

LIABILITIES AND CAPITALCurrent and Accrued Liabilities

| | |
|---------------------------------------|----------|
| Accounts Payable | \$ _____ |
| Notes Payable | _____ |
| Accrued Taxes | _____ |
| Accrued Interest | _____ |
| Other | _____ |
| Total Current and Accrued Liabilities | \$ _____ |

| | |
|-----------------------|----------|
| <u>Long-Term Debt</u> | \$ _____ |
| Other | _____ |

Deferred Credits

| | |
|--------------------------------------|----------|
| Advances in Aid of Construction | \$ _____ |
| Contributions in Aid of Construction | _____ |
| Accumulated Deferred Income Tax | _____ |
| Total Deferred Credits | \$ _____ |
| TOTAL LIABILITIES | \$ _____ |

CAPITAL ACCOUNT

| | |
|-------------------------------|---------------------|
| Common Stock | \$ _____ |
| Preferred | _____ |
| Paid in Capital | <u>2,581,527</u> |
| Retained Earnings | <u>761,848</u> |
| Total Capital | \$ _____ |
| TOTAL LIABILITIES AND CAPITAL | \$ <u>3,343,375</u> |

WATER TARIFF SCHEDULERATES AND CHARGESCUSTOMER/MINIMUM CHARGE
PER MONTH

| <u>METER</u> | <u>CHARGE</u> | <u>GALLONS</u> |
|--------------|---------------|----------------|
| 5/8 X 3/4" | \$ 15.27 | FOR 0 |
| 3/4" | \$ 15.27 | FOR 0 |
| 1" | \$ 32.00 | FOR 0 |
| 1 1/2" | \$ 48.00 | FOR 0 |
| 2" | \$ 64.00 | FOR 0 |
| 3" | \$ | FOR |
| 4" | \$ 128.00 | FOR 0 |
| 5" | \$ | FOR |
| 6" | \$ 256.00 | FOR 0 |

SERVICE LINE & METER
INSTALLATION CHARGES

| <u>METER</u> | <u>CHARGE</u> |
|--------------|---------------|
| 5/8 X 3/4" | \$ |
| 3/4" | \$ |
| 1" | \$ |
| 1 1/2" | \$ |
| 2" | \$ |
| 3" | \$ |
| 4" | \$ |
| 5" | \$ |
| 6" | \$ |

COMMODITY CHARGE (EXCESS OF MINIMUM):

\$ 2.91 PER 1,000 GALLONS

FLAT RATE \$ PER MONTH

SERVICE CHARGES:

| | |
|---|--------------------------|
| 1. ESTABLISHMENT (R14-2-403.D.1) | \$ 30.00 |
| 2. ESTABLISHMENT/AFTER HOURS (R14-2-403.D.2) | \$ 30.00 |
| 3. RECONNECTION/DELINQUENT (R14-2-403.D.1) | \$ 30.00 |
| 4. NSF CHECK (R14-2-409.F.1) | \$ 15.00 |
| 5. METER REREAD/IF CORRECT (R14-2-408.C.2) | \$ 15.00 |
| 6. METER TEST/IF CORRECT (R14-2-408.F.1) | \$ 30.00 |
| 7. DEFERRED PAYMENT (R14-2-409.G.6) | \$ 15.00% |
| 8. DEPOSIT INTEREST (R14-2-403.B.3) | * % |
| 9. DEPOSIT (R14-2-403.B.7) | PER RULE |
| 10. REESTABLISHMENT W/N 12 MOs (R14-2-403.D.1) | MONTHS OFF THE |
| | SYSTEM TIMES THE MINIMUM |
| 11. <u>OTHER RATES & CHARGES APPROVED BY ORDER:</u> | |

IN ADDITION TO THE COLLECTION OF ITS REGULAR RATES AND CHARGES, THE COMPANY SHALL COLLECT FROM ITS CUSTOMERS THEIR PROPORTIONATE SHARE OF ANY PRIVILEGE. SALES OR USE TAX.

*Per Commission Rule (R14-2-403(B))

EXHIBIT H

**ARIZONA DEPARTMENT OF REVENUE
PROPERTY TAX DIVISION**

1600 West Monroe, Room 820, Phoenix, Arizona 85007

Telephone: (602) 542-3529

Facsimile: (602) 542-5667

JANE DEE HULL
GOVERNORMARK W. KILLIAN
DIRECTOR

June 22, 2000

| | | | | | |
|-----------------------|------|------------------------|----------------|------------|---|
| Post-It* Fax Note | 7671 | Date | 6/22/00 | # of pages | 1 |
| | | From | STEVE FRANCOIS | | |
| Co./Amp. STEVE KORSON | | | | | |
| Phone # | | Phone # (602) 542 3529 | | | |
| Fax # (480) 895 4347 | | Fax # (602) 542 5667 | | | |

Mr. Jim Poulos
c/o Ranch Cabrillo Water Company
9532 E. Riggs Road
Sun Lakes, AZ 85248-7411Re: Ranch Cabrillo Water Company
Certificate of Convenience and Necessity (CC&N)

Dear Jim:

This is in response to your request for the Department to estimate full cash value of the new water company for the first five years of its existence. Based upon the documentation you have provided us, the full cash value estimates are as follows:

| | |
|------------|-------------|
| Tax Year 1 | \$ 888,500 |
| Tax Year 2 | \$ 959,700 |
| Tax Year 3 | \$1,026,000 |
| Tax Year 4 | \$1,230,600 |
| Tax Year 5 | \$1,580,100 |

These values are based strictly on the estimated revenues and plant costs submitted by you. Other information which may be provided at the time the property is actually valued by the Department could indicate a substantially different value.

Please be advised that when you submit your documents to the Arizona Corporation Commission, this letter should be included. If you have any questions, please contact me at (602) 542-3529, extension 4892.

Sincerely,


Stephen J. Francois, Jr.
Centrally Valued Property Unit

Exhibit I

PROFORMA UTILITY PLANT IN SERVICE (WATER)
FIRST YEAR

| | ORIGINAL COST | ACCUM. DEPRC. | ORIG. COST LESS DEPRC. |
|--|--------------------|-------------------|---------------------------|
| Organization | \$ _____ | \$ _____ | \$ _____ |
| Franchises | | | |
| Land and Land Rights | <u>150,000</u> | <u>0</u> | <u>150,000</u> |
| Wells and Springs | <u>1,000,000</u> | <u>150,000</u> | <u>850,000</u> |
| Electric Pumping Equip. | | | |
| water Treat. Equip. | <u>1,250,000</u> | <u>187,000</u> | <u>1,062,500</u> |
| Distribution Reservoirs and Standpipes | | | |
| Transmission & Dist. Mains | <u>1,250,000</u> | <u>112,500</u> | <u>1,137,500</u> |
| Services | | | |
| Meters | <u>62,500</u> | <u>5,625</u> | <u>56,875</u> |
| Hydrants | | | |
| Other Plant Structures and Improvements | | | |
| Office Furniture and Fixtures | | | |
| Transportation Equipment | <u>10,000</u> | <u>1,500</u> | <u>8,500</u> |
| Tools and Work Equipment | <u>30,000</u> | <u>3,000</u> | <u>27,000</u> |
| Laboratory Equipment | | | |
| Power Operated Equipment | | | |
| Communication Equipment | | | |
| Miscellaneous Equipment | | | |
| Other Tangible Plant | <u>60,000</u> | <u>9,000</u> | <u>51,000</u> |
| TOTAL PLANT IN SERVICE | <u>\$3,812,500</u> | <u>\$ 469,125</u> | <u>\$ 3,343,375</u> |

Exhibit J
Rancho Cabrillo Water Company
9532 East Riggs Road
Sun Lakes, AZ 85248

May 25, 2000

Rancho Cabrillo, LLC
9532 East Riggs Road
Sun Lakes, AZ 85248

Dear Sirs:

Rancho Cabrillo Water Company has filed with the Arizona Corporation Commission ("Commission") an application for authority to provide water service to an area in which records indicate that you are a property owner. If the application is granted, Rancho Cabrillo Water Company would be exclusive provider of water service to the proposed area. Rancho Cabrillo Water Company will be required by the Commission to provide this service under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to themselves from individually owned facilities on their property. The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street and at Rancho Cabrillo Water Company, 9532 East Riggs Road, Sun Lakes, Arizona 85248.

The Commission will hold a hearing on this matter. As a property owner, you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice of the proceeding unless requested by you.

If you have any question or concerns about this application, have any objection to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000.

EXHIBIT K

**Rancho Cabrillo Water Company
9532 East Riggs Road
Sun Lakes, Arizona 85248**

May 26, 2000

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Dear Docket Control:

I certify that on May 25, 2000 each affected property owner was notified of the application by Rancho Cabrillo Water Company for a new water Certificate of Convenience and Necessity.

Sincerely,



Steve Robson

SP:ab

Docketcontrol1.doc

RANCHO CABRILLO WATER COMPANY
OPERATING EXPENSES

| <u>OPERATING EXPENSES</u> | <u>FIRST YEAR</u> | <u>SECOND YEAR</u> | <u>THIRD YEAR</u> | <u>FOURTH YEAR</u> | <u>FIFTH YEAR</u> |
|---------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| CERTIFIED OPERATOR | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 |
| ELECTRICITY | 24,840 | 49,680 | 74,520 | 99,360 | 124,200 |
| TESTING | 8,000 | 4,000 | 2,000 | 2,000 | 2,000 |
| REPAIRS | 2,000 | 4,000 | 6,000 | 8,000 | 10,000 |
| CHEMICALS | 2,500 | 2,500 | 2,500 | 2,500 | 2,500 |
| VEHICLES | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| SUPPLIES | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| LICENSES | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| PROPERTY TAXES | 27,655 | 29,871 | 31,934 | 38,302 | 49,181 |
| INSURANCE | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| PERMITS | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| ENGINEERING | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| LEGAL | 3,000 | 3,000 | 3,000 | 3,000 | 3,000 |
| OTHER | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| DEPRECIATION | 77,775 | 85,800 | 93,825 | 101,850 | 109,875 |
| CONTRACT LABOR | 2,500 | 5,000 | 7,500 | 10,000 | 12,500 |
| ADMINISTRATIVE SERVICES | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 |
| TOTAL | 228,270 | 263,851 | 301,279 | 345,012 | 393,256 |

RANCHO CABRILLO WATER COMPANY
WATER CONSUMPTION

| CONSUMPTION | <u>FIRST YEAR</u> | <u>SECOND YEAR</u> | <u>THIRD YEAR</u> | <u>FOURTH YEAR</u> | <u>FIFTH YEAR</u> |
|-------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| NO. OF CUSTOMERS | 250 | 500 | 750 | 1,000 | 1,250 |
| AVE. ANNUAL CONSUMPTION | 144,000 | 144,000 | 144,000 | 144,000 | 144,000 |
| ANNUAL GALLONS | 36,000,000 | 72,000,000 | 108,000,000 | 144,000,000 | 180,000,000 |

GOLF COURSE

| | | | | | |
|----------------|---|---|---|---|---|
| ANNUAL GALLONS | 0 | 0 | 0 | 0 | 0 |
|----------------|---|---|---|---|---|

RANCHO CABRILLO WATER COMPANY
POTABLE WATER PLANT CONSTRUCTION SCHEDULE

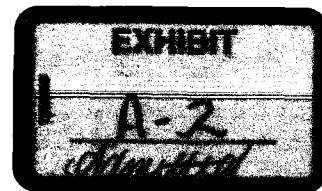
| | | | | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| WATER PLANT | 1,250,000 | 0 | 0 | 0 | 0 |
| 2 POTABLE WELLS | 1,000,000 | | 0 | 0 | 0 |
| DISTRIBUTION LINES | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| GENERATOR | 30,000 | 0 | 0 | 0 | 0 |
| VEHICLE | 10,000 | 0 | 0 | 0 | 0 |
| FACILITY | 30,000 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 10,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| METERS | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 |
| TOTAL | 2,592,500 | 267,500 | 267,500 | 267,500 | 267,500 |
| CUMULATIVE | 2,592,500 | 2,860,000 | 3,127,500 | 3,395,000 | 3,662,500 |
| DEPRECIATION EXPENSE | 77,775 | 85,800 | 93,825 | 101,850 | 109,875 |
| ACCUMULATED DEPR. | 77,775 | 163,575 | 257,400 | 359,250 | 469,125 |
| LAND | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| RATE BASE | 2,664,725 | 2,846,425 | 3,020,100 | 3,185,750 | 3,343,375 |

RANCHO CABRILLO WATER COMPANY
REVENUE PER YEAR

| | | | | | |
|-----------------------|---------|---------|---------|---------|---------|
| NO. OF CUSTOMERS | 250 | 500 | 750 | 1000 | 1250 |
| ANNUAL REV. PER CUST. | 601.60 | 601.60 | 601.60 | 601.60 | 601.60 |
| ANNUAL REVENUE | 150,401 | 300,802 | 451,203 | 601,604 | 752,006 |
| IRRIGATION | 0 | 0 | 0 | 0 | 0 |
| ESTABLISHMENT FEE | 7,500 | 7,500 | 7,500 | 7,500 | 7,500 |
| TOTAL | 157,901 | 308,302 | 458,703 | 609,104 | 759,506 |

RANCHO CABRILLO WATER COMPANY
POTABLE WATER RATE DESIGN

| | | | | | |
|--------------------------|---------|---------|---------|---------|---------|
| RETURN ON RATE BASE | 259,250 | 286,000 | 312,750 | 339,500 | 366,250 |
| TOTAL COSTS | 487,520 | 549,851 | 614,029 | 684,512 | 759,506 |
| LESS: ESTABLISHMENT FEE | | | | | (7,500) |
| REVENUE REQUIREMENT | | | | | 752,006 |
| NUMBER OF CUSTOMERS | 250 | 500 | 750 | 1000 | 1,250 |
| ANNUAL REV. PER CUST. | | | | | 601.60 |
| MONTHLY REV. PER CUST. | | | | | 50.13 |
| FIXED COSTS | | | | | 229,056 |
| FIXED COSTS PER CUSTOMER | | | | | 183.24 |
| MONTHLY MINIMUM CHARGE | | | | | 15.27 |
| GALLONS IN MINIMUM | | | | | 0 |
| COMMODITY GALLONS | | | | | 12,000 |
| COMMODITY COSTS | | | | | 34.86 |
| COST PER 1,000 GALLONS | | | | | 2.91 |



Rancho Cabrillo Water Company
9532 East Riggs Road
Sun Lakes, Arizona 85248

December 12, 2000

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Re: Docket No. W-03898A-00-0474

Dear Sir or Madam:

I certify that each property owner in the requested certificate area was mailed a copy of the attached notice of hearing by the first-class U.S. mail on December 12, 2000.

An original and ten (10) copies submitted.

Sincerely,

A handwritten signature in cursive script, appearing to read "Steve Robson".

Steve Robson

SR:ab

Enclosure

PUBLIC NOTICE OF HEARING ON APPLICATION FOR
RANCHO CABRILLO WATER COMPANY FOR A
CERTIFICATE OF CONVENIENCE AND NECESSITY
IN THE STATE OF ARIZONA

On July 13, 2000, Rancho Cabrillo Water Company ("Applicant") filed an application for approval of a Certificate of Convenience and Necessity ("Certificate") to provide water service to the community of Rancho Cabrillo, a development located in Maricopa County, Arizona, approximately 10 miles west of Interstate 17 near Happy Valley Road. If the application is granted, Applicant would be the exclusive provider of water service to the proposed area. The Applicant will be required by the Commission to provide these services under the rates and charges and terms and conditions established by the Commission. The granting of the application would not necessarily prohibit an individual from providing service to that individual's property from an individually-owned well on that individual's property.

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix at 1200 West Washington Street, and at the Applicant's offices, 9532 East Riggs Road, Sun Lakes, Arizona 85248.

The Commission will hold a hearing on this matter on February 8, 2001 at 10:00 a.m., or as soon thereafter as is practical, at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. As a property owner, or customer, you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written notice to intervene with the Commission, which motion should be sent to the Applicants or their counsel and to all parties of record, and which, at the minimum, shall contain the following:

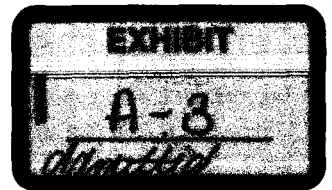
1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Applicants, a shareholder or member of the Applicant, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before February 1, 2001 by 12 noon. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf. However, you will not receive any further notice of the proceeding unless requested by you.

If you have any questions or concerns about this application or have any objection to its approval, or wish to make a statement in support of it, you may write the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007, or call 1-800-222-7000, or appear at the hearing and make comment.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Cynthia Mercurio-Sandoval, ADA Coordinator, voice phone number 602-542-0838, E-mail csandoval@cc.state.az.us. Requests should be made as early as possible to allow time to arrange the accommodation.

Rancho Cabrillo Water Company
9532 East Riggs Road • Sun Lakes, Arizona 85248



September 6, 2000

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Re: Docket No. SW-03898A-00-0474

Dear Sir or Madam:

Enclosed is the water franchise issued by Maricopa County for Rancho Cabrillo Water Company.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Robson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steve Robson

SR:ab

Enclosure

BEFORE THE BOARD OF SUPERVISORS

OF

MARICOPA COUNTY, STATE OF ARIZONA

IN THE MATTER OF THE APPLICATION OF)

RANCHO CABRILLO WATER COMPANY)

FRANCHISE

FOR A FRANCHISE

BE IT RESOLVED BY THE BOARD OF SUPERVISORS OF MARICOPA COUNTY, STATE OF ARIZONA, THAT:

WHEREAS, Rancho Cabrillo Water Company hereinafter designated as the Grantee, doing business in Maricopa County, Arizona, bearing date of May 25, 2000, praying for the right, privilege, license and franchise to construct, maintain and operate a domestic water distribution system, consisting of pipelines, meters, connections, and all necessary equipment, for a period not to exceed twenty-five (25) years or for a period of one (1) year after the franchised area or a portion thereof is annexed by a municipality, whichever is shorter, for Rancho Cabrillo Water Company along, upon, under and across public highways, roads, alleys and thoroughfares (excepting State Highways), within that portion of Maricopa County, Arizona, known and described as follows, to-wit:

The following property located in Section 3, Township 4 North, Range 1 West, Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The Southeast quarter;
The South half of the Northwest quarter;
The South half of the Northeast quarter; and

BEGINNING at the North quarter corner of said Section,

THENCE along the North line of the Northeast quarter of said Section and the North line of said Lots 1 and 2, N89°45'52"E, 2,625.13 feet to the Northeast corner of said Section 3, said corner also being the Northeast corner of said Lot 1;

THENCE along the East line of the Northeast quarter of said Section 3 and the East line of said Lot 1, S0°43'25"E, 1,025.06 feet to the Southeast corner of said Lot 1;

THENCE along the South line of said Lots 1 and 2, S89°54'43"W, 2,625.93 feet to the Southwest corner of said Lot 2;

THENCE along the North-South midsection line of said Section 3 and the West line of said Lot 2 N0°40'56"W, 1,018.33 feet to the point of beginning, and

The following property located in Section 10, Township 4 North, Range 1 West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona:

The North half of Section 10.

and not within the confines of any incorporated city or town, and under such restrictions and limitations and upon such terms as the Board of Supervisors may provide, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Corporation commission of the State of Arizona, and that the Board take such proceedings herein as is provided by laws of the State of Arizona; and

WHEREAS, upon filing said application, the said Board of Supervisors on the 7th day of June, 2000, ordered that public notice of the intention of said Board to make such grants be given by publishing a notice in the official newspaper of Maricopa County, published in the County of Maricopa, State of Arizona, and that 9:00 a.m., on the 26th day of July, 2000, at the meeting room of said Board of Supervisors located at 205 West Jefferson Street, in the City of Phoenix, Arizona, be set as the time and place of hearing the said application; and

WHEREAS, the said application coming on regularly for hearing on said day and it appearing by the affidavit of the duly authorized agent of the said time and place set for the consideration of such application has been published for at least once a week for the three-week period prior to said date set forth herein, to-wit:

In the issues of the said newspaper on June 23, 30, and July 7, 2000, and it appearing that no sufficient protest has been filed by the qualified electors of the said County petitioning said Board of Supervisors to deny such license and franchise, and it further appearing the best interests of Maricopa County will be served by the granting of said application and the franchise referred to therein;

NOW, THEREFORE, the Board of Supervisors of Maricopa County, State of Arizona, acting on behalf of said County does hereby grant unto Rancho Cabrillo Water Company, doing business in Maricopa County, Arizona, subject to the terms, conditions and limitations hereinafter contained, the right, privilege, license and franchise to construct, maintain and operate a domestic water distribution system, consisting of pipelines, meters, connections, and all necessary equipment, for a period of not to exceed twenty-five (25) years or for a period of one (1) year after the franchised area is annexed by a municipality, whichever is shorter, for the supplying of this service along, upon, under and across the public highways, roads, alleys and thoroughfares (excepting State highways) within that portion of Maricopa County, Arizona, hereinabove described, under such restrictions and limitations and upon such terms as this Board at any time may provided, not inconsistent with the laws of the State of Arizona, or the orders and rules of the Corporation Commission of the State of Arizona, specifically providing, however, that:

- 1) All rights hereunder are granted under the express condition that the Board of Supervisors of said Maricopa County shall have the power at any time to impose such restrictions and limitations and to make such regulations on such highways, roads, and thoroughfares as may be deemed best for the public safety, health, welfare and convenience.
- 2) All rights hereby granted shall be exercised so as to not interfere or conflict with any easements or rights-of-way heretofore granted by said Board of Supervisors and now in force.
- 3) All rights hereby granted shall be exercised so as not to interfere or conflict with any easement, either public or private, of whatsoever nature, which has been acquired in or to the proper use of said highway, roads, and thoroughfares, or any portion thereof.
- 4) All rights hereby granted shall be exercised so as not to interfere or conflict with or endanger in any way the proper use by the public of said highways, roads, and thoroughfares, or any portion thereof.

- 5) That the said Grantee shall bear all expenses incurred including damages and compensation for the alteration of the course, direction, surface, grade or alignment of any of the said highways, roads and thoroughfares necessarily made by the said grantee for the purpose of this franchise; that said grantee will maintain his equipment from time to time as may be needed, without the necessity of notice from Maricopa County. In the event the said grantee shall fail to make any repairs within ten days from the time same becomes necessary, then Maricopa County may cause the same to be made, and said grantee agrees to pay Maricopa County the cost thereof.
- 6) That all property of the franchise be installed and operated by the said grantee and shall be placed, removed or relocated, initially and throughout the term of this franchise, along, in, over, under and across the said highway, roads and thoroughfares, in such a manner and location as the Board of Supervisors or its duly authorized agents may designate. Such placement, removal or relocation shall be done at the sole expense of the grantee upon a determination by the Board of Supervisors of Maricopa County that such placement, removal or relocation is necessary.

If the grantee fails or refuses to so remove or relocate, Maricopa County may so remove or relocate, at the sole expense of grantee, such expense to include any and all damages and compensation of whatsoever nature arising therefrom.

In this section the term "property" includes conduits, pipe, wires, poles, or other structures and appliances used to supply or deal in gas, electricity, lights, water, heat, refrigeration, power, telephones, telegraph, television and other public utilities.

Any finding or determination made by the Board of Supervisors pursuant hereto shall be final and binding upon the grantee whether or not such findings or determinations relates to the requirements of public safety or welfare, the use of public roads or the need for proposed improvements, and whether or not the function to be served by such removal or relocation is of a governmental or proprietary nature.

- 7) That said grantee shall indemnify and save harmless, the said County of Maricopa from all costs, expense and liabilities in connection with the granting of this franchise and exercise of the same by them.
- 8) That the rights of any person claiming to be injured in any manner by the maintenance of said projects and equipment shall not be affected hereby.
- 9) That the terms and conditions of this franchise shall inure to the benefit of, and be binding upon, all the heirs and assigns of the said Grantee.
- 10) That the franchise and privilege herein granted shall not be deemed to be exclusive and the said Board of Supervisors hereby expressly reserves the right and power to grant from time to time similar franchises and privileges over the same territory and highways, roads and thoroughfares.
- 11) This franchise is granted upon the express condition that the Certificate of Convenience and Necessity be procured from the Corporation Commission of the State of Arizona and the Certificate of Assured Water Supply be procured from the Arizona Department of Water

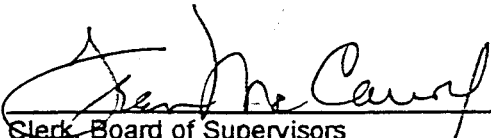
Resources and proof thereof submitted to the Board of Supervisors within six months from the date of granting of this franchise; and if such Certificates are not granted within six months from said date, then this franchise to be void, otherwise to be in full force and effect for the time herein specified.

- 12) All materials and construction methods used with the public right-of-way shall conform to the applicable standards, specifications and special provisions currently in effect in Maricopa County.
- 13) The Franchise holder shall obtain a construction permit from the Office of the County Engineer prior to construction of any facilities in the public right-of-way.

DATED this 26th day of July, 2000.


Chairman, Board of Supervisors

ATTEST:


S clerk, Board of Supervisors

MEMORANDUM

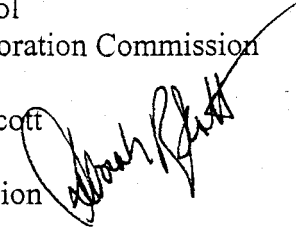
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2000 DEC 12 P 2:59

AZ CORP COMMISSION
DOCUMENT CONTROL

TO: Docket Control
Arizona Corporation Commission

FROM: Deborah R. Scott
Director
Utilities Division



DATE: December 12, 2000

RE: IN THE MATTER OF THE APPLICATION OF RANCHO CABRILLO
WATER COMPANY FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY DOCKET NO. SW-03898A-00-0474

Attached is the Staff Report for the above referenced application. Staff is recommending conditional approval of the application following a hearing.

Originator: Mark A. DiNunzio

Attachment: Original and Eleven Copies

RECEIVED

DEC 12 2000

LEGAL DIV.
ARIZ. CORPORATION COMMISSION

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

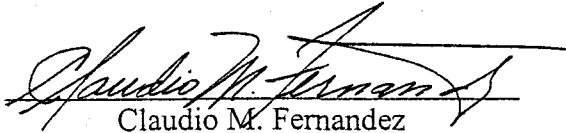
IN THE MATTER OF THE APPLICATION OF RANCHO CABRILLIO WATER COMPANY
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY
DOCKET NO. W-03898A-00-0474

DECEMBER 2000

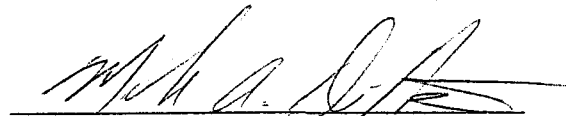
STAFF ACKNOWLEDGEMENT

The Staff members designated below contributed elements of this Staff Report.

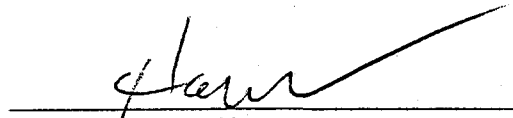
CONTRIBUTING STAFF MEMBERS:



Claudio M. Fernandez
Manager, Revenue Requirements Analysis



Mark A. DiNunzio
Executive Consultant



Lyndon Hammon
Utilities Engineer

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| Schedule 1 | 4 |

Introduction:

On July 7, 2000, Rancho Cabrillo Water Company ("RCWC" or "Company") filed an application requesting that a new water Certificate of Convenience and Necessity ("Certificate" or "CC&N") be issued in order to provide water service to the development known as Rancho Cabrillo, located in Maricopa County, Arizona.

Background and Staff Analysis:

RCWC is being formed to provide water service to a development known as Rancho Cabrillo, a subdivision of approximately 2,500 homes at build-out located approximately 10 miles west of I-17 near Happy Valley Road. There is presently no water service or customers in the proposed Rancho Cabrillo subdivision. The president of RCWC is Mr. Steve Robson. Mr. Robson also has interests in the following public utilities in Arizona: Pima Utility Company, Lago Del Oro Water Company, SaddleBrooke Utility Company, Quail Creek Water Company, Picacho Water Company and Picacho Sewer Company.

RCWC has not provided a copy of the developer's Certificate of Assured Water Supply ("CAWS"). Staff recommends that RCWC be ordered to file a copy of the developer's CAWS with the Commission within 365 days from the effective date of the Commission's Decision.

RCWC has provided a copy of its water franchise issued by Maricopa County.

RCWC has not obtained its Approval to Construct from the Arizona Department of Environmental Quality ("ADEQ"). Staff recommends that the Commission condition approval of the application on RCWC filing a copy of its Approval to Construct with the Commission within 365 days from the effective date of the Commission's Decision.

This will be a totally new water system that has yet to be constructed and consequently, does not yet have an ADEQ operating compliance status. Initially, the system will be served by two wells, along with the ancillary storage, pressure tanks, pumping stations, and distribution mains. Preliminary hydrology evaluations indicate that each well should be capable of producing 800 gallons/minute, which should be more than adequate to serve the five year growth projection of 1,250 lots. Additional sources could be developed, if necessary. Initial construction costs do not appear to be unreasonable.

Rancho Cabrillo Sewer Company will be filing a sewer CC&N application to provide sewer service to the Ranch Cabrillo development.

Rate Design:

Typically, there is no historical information available on a CC&N application to base initial rates. Therefore, Staff's recommended rates are based upon assumptions and reasonable

estimates. Accordingly, RCWC has provided projected information, which includes assumptions on plant, operating revenue, operating expenses and the number of customers.

The application indicates that there are no customers taking service in the area of the requested CC&N. Within the five year projected period shown in the application, RCWC anticipates that they will be serving 1,250 customers in the area. Staff has determined that, for the purposes of establishing initial rates, the Company's projections were generally reasonable. The Company proposes a minimum monthly charge of \$15.27 for residential customers on a 5/8" by 3/4" meter with zero gallons in the minimum and \$2.91 per thousand gallons water used.

Staff agrees with the Company's proposed zero gallons in the minimum. However, in Staff's opinion, a multi-tiered rate structure would be compatible with conservation, in particular, where the Company is located in an Active Management Area ("AMA"). Staff believes that its recommended rate design is more compatible with conservation efforts without compromising the Company's required operating revenues. In order to accomplish the latter goal, Staff is recommending a slight increase to \$15.45 from the Company's proposed monthly minimum charge of \$15.27 for a 5/8 x 3/4 - inch meter which size is representative of the meters that will serve most of the residential and light commercial customers. Staff's recommended rate design also increased the monthly minimum charge for larger meter sizes as depicted in Schedule 1.

Staff's recommended commodity rates consist of three tiers. The first tier rate of \$2.75 and the second tier rate of \$3.00 would apply to the majority of the customers according to the Company's estimated average usage of 12,000 gallons. Based on the Company's proposed rates the typical residential bill using an average of 12,000 gallons is \$50.19. Staff's recommended increase in the monthly minimum of \$0.18, a corresponding decrease of \$0.16 to the first tier commodity rate from \$2.91 to \$2.75 and an increase of \$0.09 in the second tier, would also result in an average bill of \$50.19 (\$0.01 difference due to rounding). Thus, Staff's proposed rates parallel the Company's projected average monthly revenue of \$50.19 per bill per month.

Staff's recommended first tier break of up to 5,000 and second tier break of 20,000 gallons apply to the majority of the customers. Even though the third tier does not generate any revenues at this time, Staff believes that it should be part of the Company's initial rates. In this manner, the ratepayers are cognizant of a conservation oriented rate structure and manage their water usage accordingly.

The Company's proposed initial rates apply to all five years of projected operating information shown in the application. In the fifth year, the Company projected average customers of 1,250, an investment of \$3,361,800, a Net Operating Income of \$366,250 and a Rate of Return ("ROR") on investment of 10.89 percent. Staff feels this ROR to be adequate to provide sufficient cash flow for Company operations.

Recommendations:

Staff recommends that the Commission condition approval of the application of Rancho Cabrillo Water Company on its filing with the Commission, within 365 days from the effective date of the Commission's Decision, copies of the developer's Certificate of Assured Water Supply and Approval to Construct.

Staff recommends approval of Rancho Cabrillo Water Company's application for a CC&N and recommends approval of Staff's proposed rates shown on Schedule 1.

Staff further recommends that Rancho Cabrillo Water Company be ordered to notify the Commission within 15 days of providing service to its first permanent customer.

Staff further recommends that Rancho Cabrillo Water Company be ordered to file a rate application within thirty six (36) months from the date it provides service to its first customer.

Staff further recommends that Rancho Cabrillo Water Company be ordered to maintain its books and records in accordance with the NARUC Uniform System of Accounts for Class C water utilities.

Staff further recommends that a provision be included in Rancho Cabrillo Water Company's tariff to allow for the flow-through of appropriate State and local taxes as provided in A.A.C. Rule R14-2-409.D.

Staff further recommends that Ranch Cabrillo Water Company be ordered to file a backflow tariff for Commission approval.

Staff further recommends that the Rancho Cabrillo Water Company file tariff pages consistent with this Decision within 30 days of this order.

Staff further recommends that the Commission's Decision granting a CC&N to Rancho Cabrillo Water Company be considered null and void without further order from the Commission should Rancho Cabrillo Water Company fail to meet the above conditions within the time specified.

RATE DESIGN

| Proposed Rates | | |
|--|---------|---------|
| Monthly Usage Charge | Company | Staff |
| 5/8" x 3/4" Meter | \$15.27 | \$15.45 |
| 3/4" Meter | 15.27 | 15.27 |
| 1" Meter | 32.00 | 32.00 |
| 1½" Meter | 48.00 | 48.00 |
| 2" Meter | 64.00 | 64.00 |
| 4" Meter | 128.00 | 128.00 |
| 6" Meter | 256.00 | 256.00 |
| Gallons Included in the Minimum | 0 | 0 |
| From 1 to 5,000 Per 1,000 Gallons | \$2.91 | \$2.75 |
| From 5,001 to 20,000 Per 1,000 Gallons | 2.91 | 3.00 |
| In Excess of 20,000 Per 1,000 Gallons | 2.91 | 3.50 |
| <u>Service Line and Meter Installation Charges</u> | | |
| 5/8" x 3/4" Meter | \$0.00 | \$0.00 |
| 3/4" Meter | 0.00 | 0.00 |
| 1" Meter | 0.00 | 0.00 |
| 1½" Meter | 0.00 | 0.00 |
| 2" Meter | 0.00 | 0.00 |
| 3" Meter | 0.00 | 0.00 |
| 4" Meter | 0.00 | 0.00 |
| 6" Meter | 0.00 | 0.00 |
| <u>Service Charges</u> | | |
| Establishment | \$30.00 | \$30.00 |
| Establishment (After Hours) | 30.00 | 30.00 |
| Reconnection (Delinquent) | 30.00 | 30.00 |
| Meter Test (If Correct) | 30.00 | 30.00 |
| Deposit | 0.00 | 0.00 |
| Deposit Interest | * | * |
| Re-Establishment (Within 12 Months) | ** | ** |
| NSF Check | 15.00 | 15.00 |
| Deferred Payment | 15.00% | 15.00% |
| Meter Re-Read (If Correct) | 15.00 | 15.00 |
| <u>Monthly Service Charge for Fire Sprinkler</u> | | |
| 4" or Smaller | \$0.00 | \$0.00 |
| 6" | 0.00 | 0.00 |
| 8" | 0.00 | 0.00 |
| 10" | 0.00 | 0.00 |
| Larger than 10" | 0.00 | 0.00 |

* Per Commission Rules (R14-2-403.B)

** Months off system times the minimum (R14-2-403.D)

*** 1.00% of Monthly Minimum for a Comparable Sized Meter Connection, but no less than \$5.00 per month. The Service Charge for Fire Sprinklers is only applicable for service lines separate and distinct from the primary water service line.

REQUEST FOR HEARING DATE

DKT_TYPE -NUMBER DIV -YEAR -MATTER COMPANY and DBA

CASE_TYPE

ASSIGNMENTS

DATE TIME
HEARING

CITY/LOCATION
FOR HEARING

| | | | | | |
|-------------------------|-------------------------------|--|---|--|--|
| SW - 03898A - 00 - 0474 | Rancho Cabrillo Water Company | Certificate of Convenience & Necessity | <p>STAFF DINunzio, Hammon, Lawrence</p> <p>LEGAL D. Williams</p> <p>HEARING Gibelli</p> | <p>ESTIMATED TIME REQUIRED</p> | |
|-------------------------|-------------------------------|--|---|--|--|

OTHER INFORMATION:

12/11/2000 HEARING, LEGAL, 3 COMMISSIONERS COPIED WITH APPLICATION

PLEASE RETURN ORIGINAL TO DOCKET CONTROL.

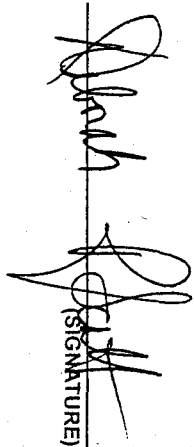
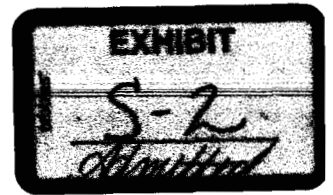
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| DATE SENT TO LEGAL | <p><u>DIVISION DIRECTOR</u></p> <p></p> <p>(SIGNATURE)</p> | <p><u>12-12-00</u></p> <p>(DATE)</p> |
| DATE SENT TO HEARING | <p><u>LEGAL DIVISION</u></p> <p>(SIGNATURE)</p> | <p>(DATE)</p> |
| HEARING DIVISION | <p>(SIGNATURE)</p> | <p>(DATE)</p> |

Exhibit S-2



Staff further recommends that Rancho Cabrillo Water Company be ordered to submit a letter from ADEQ stating that the water system has no maximum contaminant level violations and is delivering water that meets the quality standards of the Safe Drinking Water Act 30 days prior to serving its first permanent customer.